MONTHLY REPORT

02/2016

Note: This Report is classified and isn't transferable.

TABLE OF CONTENTS

Contents

Highlights _____ 1

Technology: _____ 1

Logistics: _____ 1

Business Development: _____ 2

product & marketing: _____ 2

Clients: _____ 3

1. MDA: _____ 3
2. Israeli Police department: _____ 3
3. Municipalities: _____ 3
4. Channel 2: _____ 4
5. Singapore: _____ 4

Corporations: _____ 4

1. Taldor: _____ 4
2. NCS: _____ 4
3. UBER: _____ 5
4. Michael Chertoff: _____ 5

Technological: _____ 6

Recruitment: _____ 6

Development: _____ 6

Integration: _____ 6

SCALE & Monitoring: _____ 7

Financial Highlights _____ 8

ROUND A: _____ 8

Lowest Price (Pre Round) – $18M – Red Line – Table _____ 9

Expected Price (Pre Round) - $25M – Table _____ 9

Milestone: _____ 10

Summary _____ 11

TO OUR SHAREHOLDERS

Highlights

In January - February Reporty team was mainly focused on the following:

TECHNOLOGY:

a) Recruitment
b) MDA integration
c) Channel 2 Installation
d) Scala & Monitoring
e) Version 0.8

For a full detailed technology summary please see **page 6.**

LOGISTICS:

a. Law Firm: We moved to a new Law Firm. HFN are our lawyers. (ADV. Yair Geva & ADV. Tomer Farkash).
b. Israeli chief scientists: We approved by the Israeli chief scientists and received ~300,000$ for 8.2015-8.2016.

TO OUR SHAREHOLDERS

Business Development:

PRODUCT & MARKETING:

1. **Version 0.8:**

   Reporty 0.8V (which will be available on App & Play store for Reporty's official launch) is under massive testing. 0.8V features were implemented (User profile, Chat platform, Reporteam, Report Sharing, Instant messaging and more) and they are under testing.

2. **Reporty Official Launch:**

   We are working with 'Shalom Tel Aviv' on Reporty's event official launch. We are dividing the launch in to 3 parts:

   a. **Press conference:** will be held on March 16th – 9:00 AM in one of the hotels in TLV. We will invite 35-45 Reporters/News channels & bloggers. We will present the product and will give the audience 30 Min for questions. For the panel we will invite Reporty board and representatives from MDA (Mr. Eli Bin), Mayor of Ra'anana (Mr. Ze'ev Bielski) and more. The main goal of that conference is to create an aggressive awareness for the product and to gain as much downloads as possible.

   b. **Reporty launch party:** We closed with the 'Be'er garden' that we will make the party in their yard. This is a public event, we invited more than 1000 People for that event – the idea is to force people to download the app and to increase our team pride.

   c. **Social engagement:** At the same time with the previous 2 sections, we will promote the company in the social networks (Again to gain as much awareness and downloads as possible) especially in Facebook.

3. **Hebrew promotional video:** We finished our Hebrew promotional video – To watch it click here

CLIENTS:

1. **MDA:**

We had a meeting with MDA CEO last week. The main goal of that visit was to present the progress and to talk farther about Reporty <> MDA corporation. We are in the middle stage of testing with MDA and at the middle of March we will officially launch the system with aggressive PR that will be supported by MDA PR agency. The integration was finished 1 month ago.

2. **Israeli Police department:**

Yaron be'eri visit us a few weeks ago. We hope that the progress will go faster. We have a meeting with the chief of police at February 16th.

3. **Municipalities:**

- **Ra'anana** – they are using the system in a daily basis. They gave the system to many different city departments' representatives and to the city Kindergarten teachers. They requested another station.
- **Modiin** – they are using the system daily. They gave the system to many different city departments representatives.
- **Haifa –** The city CEO confirm the system (With integration) with a signed protocol. The price for 2 station that was confirmed is 192,000 Nis per year per 2 stations. We will work with Taldor on that integration.
- **Hadera** – They visited us, and they asked for a proposal for integration for their systems. A proposal will be send within the next week. Taldor won their PBX tender and together with them we will make that project.

4. **Channel 2:**

We installed the system in Channel 2. They have some different requirements from the system. We helping them by designing the system to be fitted to their needs.

5. **Singapore:**

We did a presentation to more than 30 people from the Singapore government including:

1. SCDF
2. Ministry of defense
3. Police department
4. NCS – Vice president of safe & smart city
5. Ministry of home affairs

The feedbacks were great and they were especially interested in our indoor & video capabilities. The strategy in Singapore will be to work with one entity (MHA) and one integrator (NCS) in order to take over that market as soon as possible.

CORPORATIONS:

1. **Taldor:**

The reseller concept with Taldor doesn't fit our needs at the moment, we are trying to define another method to work in order to create a corporation with them for the Israeli market as an integrator. We decided that in the beginning we will work project by project – hope to start in the first quarter of 2016 the integration in Haifa.

2. **NCS:**

We met NCS Vice president of Smart & safe city in our presentation. He was impressed by the demo's the technologies and our vision. He invited us a day after to present the system to his employees in order to start the process for integration. NCS is a potential

integrator for Singapore, but thanks to the fact that they are part of SingTel, they have a wide connections in different territories around Singapore.

3. **UBER**:

   I've met Uber security department representative in NYC. They would like to start a pilot with their drivers. They want us to create a unique Uber button (Like channel 2) to stream in real time every ride to their local command and control center. That will give them the opportunity to watch their driver's rides, give evidence for the insurance companies and protect their drivers in real time. In addition, in some territories they will consider (After pilot) to integrate Reporty active button in their app for driver's & Passengers Security.

4. **Michael Chertoff:**

   I've met Michael at Washington. He can bring a lot to the table thanks to his wide connection in the U.S and abroad. We will send him an offer in the next couple of days. We won't signed with him without the board approval.

Technological:

RECRUITMENT:

a. We have hired Amitai – a highly qualified iOS developer and a very skilled software engineer. We have interviewed dozens of android developers to fill the open senior android developer position. Our current most qualified candidate is Shahar Barsheshet. After further HR interview it is highly likely we will close with him.
b. In addition, we will hire in February a product manager to join our team.

DEVELOPMENT:

a. 0.8 Version – We have finished developing the 0.8 version of Reporty App. This version includes Reporteam features – including the ability to choose your Reporteam, chat with them and notify them about occurring events via the rules engine. Also this version provides an ability to register and report to an organization (Channel 2 etc).

b. Sprints – We have finished Sprints 16, 17 and 18 which were mainly focused on:
    i. Closing the main features for version 0.85
    ii. Finishing the first version of Reporty Router

INTEGRATION:

a. Modiin – We have finished installation of the system on Modiin premises. The system has been tested and working properly and is now being evaluated by the

staff and managers of 106 city services NOC.

b. Channel2 – We have finished installation of the system at Channel 2 studios. The system has been tested and working as required. They are waiting for a Hybrid SIP device in order to relay the audio to the studio so they will be able to go live with Reporty. The device should be supplied to them this week.

c. MDA – MDA Finished the data flow in their systems and the integration phase is complete. The system and the integration will go massive load testing before going live and moving to production environment.

SCALE & MONITORING:

We added a real time notification platform for any failure events from the system monitoring sensors. The main goal of that feature is to receive a real time notice via email.

Financial Highlights

Bank balance (4/2/2016): 1,029,513.97 Nis (Before VAT returns – After salaries of January).

Burn rate: 292,655 Nis (Including Vat)

Expected burn rate for next month: ~ 310,000 Nis

2015 Annual Report: We are working on the Annual Report. Will send it on March.

Milestone: We passed the milestone, and we are waiting for the additional investment.

ROUND A:

We started Round A at my trip to the U.S. I've met so far around ~20 Investors or people that know / Represent investors. As it seems so far, the $10M is reasonable and I can explain why we need that amount of money. The questions/thoughts are the company valuation. As long as we will go to an "unsmarter" investors we will be able to raise at that value. The problem is, once we will be in series B – Funds will look for pure numbers for higher company valuation. And if we are raising $10M for $50M now, we will have to reach +$200m Valuation for the investors to join the round. In order to vindicate this valuation we will have to generate at least $20M Annual revenues which could be hard to reach in +-2 Years. There are 2 way of thinking about raising fund:

1. Raise as long as you can.
2. Raise what you need.

Some of the investors that were very interested (Sweica & Daniel for example) thought that we should raise around $5M now with lower company valuation and then go to a bigger round while showing real traction and incomes. As discussed, and as it seems now, it will be better for the company to Raise $5M Now and the rest $5M With much higher valuation in 1-1.5 Years

from Round A. After discussion that took place at 9.2.16 - this is Reporty target investment size & Company Valuation.

Lowest Price (Pre Round) – $18M – Red Line – Table

Investment Size	Company Expected Val (Pre Round)	Company Val (Post Round)	Equity Dilution	Will take us to
$6M	$18M	$24M	25%	End of Q3/17
$7M	$19M	$26M	26.9%	End of Q4/17
$8M	$20M	$28M	28.57%	Start of Q1/18
$9M	$21M	$30M	30%	End of Q1/18
$10M	$22M	$32M	31.25%	End of Q2/18
$11M	$23M	$34M	32.35%	End of Q3/18
$12M	$24M	$36M	33.33%	End of Q4/18

Expected Price (Pre Round) - $25M – Table

Investment Size	Company Expected Val (Pre Round)	Company Val (Post Round)	Equity Dilution	Will take us to
$6M	$25M	$31M	19.3%	End of Q3/17
$7M	$26M	$33M	21.21%	End of Q4/17
$8M	$27M	$35M	22.8%	Start of Q1/18

$9M	$28M	$37M	24.32%	End of Q1/18
$10M	$29M	$39M	25.64%	End of Q2/18
$11M	$30M	$41M	26.82%	End of Q3/18
$12M	$31M	$43M	27.90%	End of Q4/18

MILESTONE:

As we confirmed before, we are ready with the milestone, from both the business & Technical sides. We would love to present whatever needed.

TO OUR SHAREHOLDERS

Summary

In the next month Reporty team will be focused on:

1) Business: continue the process with Haifa & Hadera, Continue the process with NCS to Singapore, Continue discussions with Taldor and explore new opportunities.
2) Development: Continue development of Reporty 0.85 Version, Testing with MDA, Continue development of Reporty auto scale & Robustness platform.
3) Recruiting: another 1 developer (Android) AND a product manager.
4) Financial: Continue the Round A, Expected burn rate for February 310,000 Nis.

This document was written by: Amir Elichai

Reporty Homeland Security Ltd

Nachmani 34 Tel Aviv

Tel +97235628599

www.reporty.com